## CITY OF REDMOND RESOLUTION NO. 1294

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF REDMOND, WASHINGTON, WAIVING COMPETITIVE BIDDING REQUIREMENTS FOR DEVELOPMENT AND PURCHASE OF A FINANCIAL MANAGEMENT SOFTWARE SOLUTION, AND AUTHORIZING THE MAYOR OR HIS DESIGNEE TO NEGOTIATE AND EXECUTE CONTRACTS TO PERFORM THE WORK

WHEREAS, the City of Redmond has the option to upgrade its current financial management software or pursue a different software solution to meet future needs, and

WHEREAS, the City has been approached by the Microsoft Corporation and their partner, Tyler Technologies to become a part of the Technology Adoption Program (TAP) to be an early adopter of public sector financial management software (Dynamics AX) currently being developed, and

WHEREAS, Microsoft is the international leader in technology and Tyler is a leader in public sector financial software solutions, and

WHEREAS, a goal of the City is to create public/private partnerships to promote efficiencies within City government, and

WHEREAS, as a TAP partner the City would see substantial financial discounts for acquisition and implementation services, and

WHEREAS, the City would benefit from having a robust technology environment and the Dynamics AX system has been specifically designed to leverage the strengths of other Microsoft products that Redmond currently uses, and

WHEREAS, Microsoft is developing a unique public sector product that is not currently available on the open market and is exempt from the ordinary purchase process, and

WHEREAS, the City Council can declare this project is subject to single source provisions as the City's relationship with Microsoft in the context of the TAP program cannot be replicated with other vendors

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF REDMOND, WASHINGTON, HEREBY RESOLVES AS FOLLOWS

Section 1 Waiver of Competitive Bidding The Redmond City Council finds that the facts set forth in the recital paragraphs of this resolution are true and justify exempting the acquisition and implementation of the Dynamics AX, a product of the Microsoft Corporation, from competitive bidding procedures as the product is currently in the development stages and is not available for bid on the open market. Pursuant to RCW 39 04 280, the City can exempt the purchase from the ordinary process because the purchase is clearly and legitimately limited to a single source of supply. Any contrary bidding or selection requirements in State law or City ordinance are hereby waived due to the nature of the work.

Section 2 Authority to Contract The City Council hereby authorizes the Mayor or his designees to negotiate and execute a contract or contracts to carry out the necessary work to acquire and implement a new financial software solution known as Dynamics AX pursuant to the single source justification and

pricing information as set forth in Exhibit 1 of this Resolution

ADOPTED by the Redmond City Council this 2<sup>nd</sup> day of June, 2009

CITY OF REDMOND

JOHN MARCHIONE, MAYOR

ATTEST

1) While for While Whele Michelle M MCBEHEE, CMC, CITY CLERK

(SEAL)

FILED WITH THE CITY CLERK
PASSED BY THE CITY COUNCIL
EFFECTIVE DATE

May 27, 2009 June 2, 2009 June 2, 2009

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AFPROVED (5-0) Cole, Margeson, McCormick, Myers and Vache

## EXHIBIT 1 Single Source Justification and Pricing Information

## Background

The City of Redmond is home to approximately 90,000 jobs Almost half of the jobs are attributable to the Microsoft Corporation, the international leader in technology. To support the goal of creating efficiencies through technology, Redmond and Microsoft are exploring additional ways in which both parties could benefit from the close proximity of the two organizations

Redmond implemented a financial management software solution approximately four years ago (commonly known as JD Edwards or E1) As a result of the acquisition of E1 by Oracle as well as choices by the City, the system was never fully implemented. It lacks integration with other City applications, automated workflow is not used, business processes were not reviewed and revised to optimize use of the software, users were not fully trained and the human resources module was not utilized to its fullest potential. The City is faced with the options of reimplementing the E1 system or pursuing a different software solution to meet future needs

## The Plan

Coincident with the need to improve the quality of the City's software solution staff met with Microsoft representatives to explore options on several technology fronts. One of the observations was that Microsoft was developing a public sector financial management software solution. The development is based on their existing "Dynamics AX" platform (AX) which has existed for years in other market sectors. The migration of the AX product to the public sector is a significant effort on the part of Microsoft.

Microsoft approached the City with regard to participating in their "Technology Adoption Program" (TAP) which essentially means the City would become a release partner for the new software product. The TAP program would result in replacing the City's El system in a phased approach with Dynamics AX

The first phase would be the core financial systems (general ledger, accounts payable, procurement, project accounting, accounts receivable, grants management, encumbrance and fixed assets) Planning of this implementation, including evaluating processes for best practices would begin in summer 2009

Implementation of the software would occur during the summer of 2010

The second phase would be payroll, human resource and budget development systems This phase would occur later in 2010 and into 2011, with the goal of system completion by 2012

As a TAP partner the City would see substantial financial discounts for acquisition and implementation (including training and problem solving) services. In addition, Microsoft would be highly motivated (and contractually committed) to the ultimate success of the project. The benefit to Microsoft for the City of Redmond's participation in the TAP program is a strong customer reference from a sales perspective. The fact that Microsoft would be able to point to their home town as an excellent example of the use of their solution is a significant motivation to Microsoft.

Microsoft sells products such as this through a third party implementation partner. In this case, Tyler Technologies is partnering with Microsoft in the development of the public sector solutions. Tyler is one of the leading providers of municipal financial software in the United States. They would contract for the implementation of the Microsoft Dynamics AX systems.

In order to realize the maximum benefits of the AX system, the City would benefit from having a robust technology environment. The AX system has been specifically designed to leverage the strengths of other Microsoft products, namely Office 2007, Sharepoint 2007 and Outlook. The City's information technology strategic plan calls for the city to migrate to Office and Outlook 2007 this summer. The City is exploring the schedule for the planned implementation of Sharepoint currently. It would be Redmond's intention to secure assistance in making these related Microsoft products well understood and accessible to City staff (as provided for in the IT Strategic Plan)

For the reasons stated above, staff proposes proceeding with Microsoft's AX system to be implemented and supported by Tyler Technologies as a part of the Technology Adoption Program

The Dynamics product is only available directly from the Microsoft and Tyler corporations Ordinarily, the default process for this would be the "competitive negotiation" process defined in RCW 39 04 270 for "electronic data processing

systems" and "telecommunications systems" The statute applies to the acquisition of "electronic data processing or telecommunications equipment, software, or services" When acquiring such things, competitive negotiation would normally involve soliciting proposals through an RFP to an "adequate number of qualified sources," technically evaluating the proposals, and then awarding the contract on the basis of which proposal is "most advantageous" to the City with price and other factors "considered"

However, in this case Microsoft is developing a unique product, not available on the open market. Therefore, according to RCW 39 04 280, the City can exempt the purchase from the ordinary process because the purchase is "clearly and legitimately limited to a single source of supply" Council, by resolution, can declare this project as sole source and then approve a contract with Microsoft and Tyler Technologies for the purchase

An additional consideration is pricing. As a result of the benefit of Redmond's participation in the TAP effort to both Microsoft and Tyler Technologies, they are discounting their products and services by 90% and 100% respectively. This is reflected in the attached pricing summary

If the City were to conduct an RFP, it would compare the results to the Dynamics AX product. The basis of comparison would be inequitable as the City's relationship with Microsoft in the context of the TAP program cannot be replicated with other vendors. It is not in the City's best interest, nor in the potential vendor's best interest to develop proposals for this project. This would be time consuming and expensive for all parties. If it weren't for the partnership represented by the TAP program and the advantages this brings to the City as described above, the City would not be in the market for a new financial system.

Table 1
Dynamics AX Pricing Proposal

- · · · · · · ·	Units	Basis Price	Discount	Net
Baseline Migration				
MS Dynamics AX - Public Sector	650 Employees 50 Concurrent Users	558 900	503 010	55 890
Dedicated TAP Program Manager	N/A	0		
Dedicated Client Project Management	150 @\$1200/Day	180 000	180 000	
Implementation/Training/Config/Conversion	300 @\$1200/Day	360 000	360 000	<u> </u>
TOTAL		\$ 1 098 900	\$ 1 043 010	\$ 55 890
lient Discretionary			_	
*Interface Design and Implementation - Legacy systems	50 @\$1200	60 000	12 000	48 000
*Customer specific Customizations	TBD	50 000	0	50 000
*Business Process Review	TBD	100 000	10 000	90 000
**Technology Platform Software upgrades	TBD	50 000	12 500	37 500
* = Optional				
** = Based upon technology assessment				
Discretionary TOTAL		\$ 260,000	\$ 34 500	\$ 225,500
PROJECT TOTAL	_	\$ 1 358 900	\$ 1 077 510	\$ 281 390
Dynamics AX Annual Support	Product Assurance	20%	0%	\$111 780